IT outsourcing centre

2219. PROF. M. SANKARALINGAM: Will the Minister of COMMUNICATIONS AND INFORMATION TECHNOLOGY be pleased to state:

(a) whether Government are aware of the statement regarding 'The Global Outsourcing Forum, 2002' in Bangalore made by a top software major that India had an edge in becoming a major global IT outsourcing centre but warned that the poor infrastructure is a major deterrent;

(b) if so, the details thereof;

(c) whether any efforts have been put in by Government to help the IT sector in this regard since January, 2000; and

(d) if so, the details thereof and the resultant success?

THE MINISTER OF STATE IN THE MINISTRY OF COMMUNICATIONS AND INFORMATION TECHNOLOGY (DR. SANJAY PASWAN): (a) Yes, Sir. The Statement was made by Mr. Azim Premji, Chairman, Wipro Technologies in his key note address during "The Global Outsourcing Forum 2002" at Bangalore.

(b) Mr. Azim Premji had referred to the poor infrastructure of Airports, Roads, Power etc., which is one of the considerations while deciding outsourcing to industry in a particular country.

(c) and (d) Infrastructure facilities are being constantly improved.

Details of the various initiatives taken since 2000, are given in the Statement enclosed (*See* below).

All the above efforts and initiatives have helped India achieve 29% growth during 2001-2003 despite slowdown of US economy and September 11th terror attacks.

Statement

Steps taken by the Government to promote the Information Technology Sector

1. Export Promotion Capital Goods scheme (EPCG) has been rationalised and extended uniformly to all sectors without any threshold limit on payment of 5%.

2. Approvals for all foreign direct investment proposals relating to the Information Technology sector, with the exception of Business-to-consumer (B2C) e-commerce are under the automatic route.

3. Electronics Hardware Technology Park (EHTP) and Software Technology Park (STP) Schemes are implemented under the aegis of the Department of Information Technology, Ministry of Communications and Information Technology, through a single window mechanism of the Inter-Ministerial Standing Committee (IMSC).

4. Supplies of Information Technology Agreement (ITA-1) items in the Domestic Tariff Area (DTA) by EHTP/EOU/EPZ units shall be counted towards fulfilment of minimum Net Foreign Exchange earning as a Percentage of exports (NFEP) and the minimum Export Performance (EP), provided that the items are manufactured in the unit and attract zero rate of basic customs duty. Positive NFEP is required to be achieved in 5 years instead of every year.

5. DTA access upto 50% of the FOB value of export is permitted for electronics hardware units under EOU/EPZ/EHTP schemes and the software units under EOU/EPZ/STP schemes.

6. Accelerated depreciation norms extended to computers and computer peripherals to all units and capital goods of IT hardware units under Export Oriented schemes (EOU/EPZ/STP/EHTP). These shall stand depreciated to overall limit of 90% over a period of 3 years.

7. Special Economic Zones are being set up to enable hassles free manufacturing and trading for export purposes.

8. The depreciation on Computers is allowed @ 60%.

9. In the Budget 2002-03, the peak rate of customs duty has been reduced from 35% to 30%. Customs duty has been reduced on stepper motors for computers/printers from 5% of 0%, floppy diskette and unrecorded magnetic tape from 15% to 10%, ink cartridges/ribbon assembly/ribbon gear assembly/ribbon gear

carriage for use in printers for computers from 25% to 5%, 56 items of capital goods for manufacture of semiconductors from 5% to 0%, 24% items of capital goods (around 200 sub-items) for manufacture of electronic components from 25-35% to 15%, tools/moulds/dies for electronics industry from 25% to 15% and on 46 items of raw materials for manufacture of electronic components from 25-35% to 5%.

- Customs duty on Computers and Peripherals continues to be @15% and all storage devices, integrated circuits, microprocessors, data display tubes and deflection components of colour monitors continue at 0%. The concessional rate of customs duty @5% for specified raw materials for the electronics industry (121 items) continues. Customs duty on Information Technology Agreement (ITA-1) items of WTO (IT and Telecom products) continues @15%, parts of Telecom continue @5%, parts, components and accessories of mobile handsets including cellular telephones continue at 0%.

10. The Central Excise duty structure was rationalized from multiple rates to single rate of 16% and single rate of Special Excise Duty (SED) @ 16%, in the Budget 2001-02, and continues.
11. Information Technology Software is exempted from Customs and Excise Duty.
12. Second hand capital goods upto 10 years are freely importable.
13. EOU/EPZ/STP/EHTP units are eligible for Income Tax benefit on export profits, upto 2010, in terms of Sections 10A and 10B of the Income Tax Act.
14. Exemption of withholding tax on interest on External Commercial Borrowings (ECBs) is available to the IT sector.
15. Definition of Computer Software, as in Section 80HHE of the Income Tax Act covers transmission of data.
16. Benefit of Section 80 HHE is available to supporting software developers.
17. IT Enabled Services are eligible for Income Tax benefit under Sections 10A, 10B and 80HHE of Income Tax Act.

18. DEPB rate will be same for a product whether exported as CBU or in CKD/SKD condition.

19. Threshold limit for obtaining "Export House" status reduced to Rs. 5 crores from Rs. 15 crores for Small Scale Industry, tiny sector, cottage sector, units located in North East States/Sikkim/ J&K; exporters exporting to countries in Latin America/CIS/ Sub Sahara Africa and units having ISO 9000 (Series) status. The status holders are eligible for the following new/special/ facilities:

    - 100% retention of foreign exchange in Exchange earners Foreign Currency (EEFC) account;
    - Enhancement in normal repatriation period from 180 days to 360 days.

20. The donation of computers, imported duty free by EOU/EPZ/ STP/EHTP units to recognised non-commercial educational institutions, registered charitable hospitals, public libraries public funded research and development establishments, etc., two years after their use by the said units is permitted.

21. The second-hand computers and computer peripherals donated by an outside donor to Government schools and recognised schools run on a non-commercial basis by any organisation are exempted from customs duties.

22. Income by way of dividends or long-terms capital gains of a Venture Capital Fund or Venture Capital company from investment made by way of equity shares in a Venture Capital Undertaking, which has been expanded to include the Software and IT sectors, will henceforth not be included in computing the total income.

23. To give thrust to Venture Capital finance, SEBI has been made the single point nodal agency for registration and regulation of both domestic and overseas Venture Capital Funds.

24. There will be no tax on distributed or undistributed income of Venture Capital Funds. The income distributed by the VCFs will only be taxed in the hands of the investors at the rates applicable to the nature of the income. VCFs will continue to be eligible for exemption even if the shares of the VC undertaking in which the

VCFs have made the initial investment are subsequently listed in a recognised stock exchange in India.

25. Under policy on portfolio investment, Foreign Institutional Investors (FIIs) are permitted to invest in a company upto an aggregate of 24% of equity shares, extendable upto 40% subject to approvals. This limit was raised from 40% to 49% in the Budget 2001-02.

26. Tax holiday under provisions of section 80-IA (Infrastructure Status) has been extended to internet Service Providers (ISPs) and Broadband Network Providers.

27. Two-way fungibility has been permitted for ADRs/GDRs. Local shares can be reconverted into ADRs/GDRs, subject to sectoral caps.

28. With a view to give a boost to the manufacturing sector, it is proposed in the Budget announcements 2002-03, to allow a deduction of a further sum of 15% of the actual cost of such machinery or plant acquired and installed after 31.3.2002 in case of new industrial, undertaking or substantial expansion by an existing industrial undertaking. The proposed amendment will take affect from 1.4.2003 and will, accordingly apply in relation to the assessment year 2003-04 and subsequent years.

29. To encourage relocation of industries to India, plant and machineries would be permitted to be imported without a licence, where the depreciated value of such relocating plants exceeds Rs. 50 crores.

30. Indian Companies wishing to invest abroad may now invest upto US$ 100 Million on an annual basis through automatic route without being subject to the three year profitability condition, up from existing limit of US$ 50 million (Budget announcement 2002-03).

31. Indian Companies making overseas investment in joint ventures abroad by market purchases may now do so without prior approval upto 50% of their net worth, up from existing limit of 25% (Budget announcement 2002-03).

32. To induce more investment for R&D activities, a weighed deduction of 125% on the sums paid to any university, college or an institution or a scientific research association for the purposes of scientific, social or statistical research is available.

33. For reduction of transaction time for export/import clearances, Ministry of Civil Aviation has finalized the scheme of "Known-Shippers" for doing away with the 24 hours cooling off period.

34. Two shifts have been introduced on week days and single shift on holidays at the Air Cargo Complexes at Mumbai, Kolkata, Chennai, Bangalore, Hyderabad, Delhi and Goa.

35. Information Technology Act 2000 dealing with Cyber security, Cyber Crime and other information security related legal aspects is in place to ancourage expansion of e-commerce through internet.

Software Technology Parks

2220. PROF. M. SANKARALINGAM: Will the Minister of COMMUNICATIONS AND INFORMATION TECHNOLOGY be pleased to state:

(a) the number of Software Technology Parks existing in the country, State-wise;

(b) the number of firms registered with such parks, State-wise;

(c) the number of such parks proposed to be set up during the current year;

(d) the utilities of these parks;

(e) whether recession in the IT sector affected functioning of such parks; and

(f) if so, the details thereof?

THE MINISTER OF STATE IN THE MINISTRY OF COMMUNICATIONS AND INFORMATION TECHNOLOGY (DR. SANJAY PASWAN): (a) Software Technology Parks of India (STPI) has set up 37 centers across the India. The State-wise details are enclosed in Statement-I. (*See* below)

(b) Under STP Scheme about 7200 units were registered till March' 2002. The State-wise details are enclosed in Statement-II. (*See* below).

(c) STPI centers at Allahabad and Kolhapur are proposed to be set up during the current year.